Classification

Department of State

TELEGRAM

XR Oil 3 Persian Gulf

XR Art 14 Libya

XR Art 14 Iran

XR LTR-16 MAR

123

EXCISE

L8029

INDICATE: COLLECT / CHARGE TO

DISTRIBUTION

ACTION: ALL OECD CAPITALS PRIORITY
US Mission OECD PARIS
EC BRUSSELS
USNATO
Amembassy NEW DELHI
ISLAMABAD

INFO: Amembassy TRIPOLI
TEHRAN
BEIRUT
CARACAS
DJAKARTA
LAGOS
JIDDA
KUWAIT
USINT ALGIERS
Amconsul DHAHRAN
Amembassy BENGHAZI

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY CJ DATE 6/22/81
PORTIONS DENIED AS INDICATED

SUBJECT: Libyan Oil Agreement

1. Oil Companies April 2 signed agreement with Libyans which will increase payments to Libyan government about 63 cents per barrel for 40 gravity oil, including a permanent increase of about 39 cents, a surcharge per barrel of about 9 cents in lieu of payments retroactive to 1965, and a temporary increase of 15 cents because of current high tanker rates and closure of the Suez Canal. Adjustments in price to reflect tanker rates will be made quarterly. If Canal

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AF/N - Mr. Suddarth

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FORM DS-322 -68

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Department of State

TELEGRAM

ICATE:
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ACTION:

reopens and tanker rates drop sufficiently, increase in total payments will drop to 48 cents per barrel. Average payments per barrel for all production will now total about 1.90 dollars. Total payments to Libya will go from about 1.3 billion dollars to somewhat over ~~2~~ 2 billion dollars annually. Agreement is for five years.

2. New posted price (tax reference price) for 40 gravity ~~x~~ oil will be 3.446 dollars up from 2.55 dollars per barrel, to be reduced by 25 cents if tanker rates drop and Canal reopens.

3. Permanent part of posted price will rise automatically on first of January 1973, 1974, and 1975, increasing payments slightly over 10 cents per barrel on each date.

4. Oil companies have made similar offers to Iraq and Saudi Arabia for pipeline oil exported from Mediterranean. Iraqis said initial company offer was unsatisfactory, but some negotiated agreement can ~~xxxxx~~ probably be worked out.

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DISTRIBUTION

ACTION:

3

5. Increased payments to Libya of 63 cents per barrel more than double increase gained by Persian Gulf producers in Tehran agreement. Most, but perhaps not all of difference can be justified by location, transportation, gravity, and low sulphur advantages of Libyan crude, plus special Libyan claim for retroactive payments. [redacted]

[redacted] However, terms of Libyan agreement are probably not enough to create irresistible pressure for fundamental revision of Tehran agreement which could trigger further rapid upward spiral of prices.

6. Action posts should convey substance of above to host officials as appropriate.

7. GP-3.

END.

[ROGERS]

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